



MURIEL BOWSER

MAYOR

February 23, 2023

The Honorable Phil Mendelson, Chairman
Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Dear Chairman Mendelson:

Enclosed for consideration and enactment by the Council of the District of Columbia are the "Motor Vehicle and Homeowner Insurance Prior Approval Rate Filing Emergency Amendment Act of 2023," the "Motor Vehicle and Homeowner Insurance Prior Approval Rate Filing Temporary Amendment Act of 2023," and the "Motor Vehicle and Homeowner Insurance Prior Approval Rate Filing Amendment Act of 2023," along with an accompanying emergency declaration resolution. The purpose of the legislation is to change the motor vehicle and homeowner insurance rate filing standard from file and use to prior approval.

The Department of Insurance, Securities, and Banking ("Department") has noticed a trend in motor vehicle and homeowner insurance markets in the District where insurers have been requesting double-digit rate increases. In some cases, the increases are in excess of 20 percent. While insurers are entitled to an adequate premium rate in exchange for the insurance coverage they provide, the Commissioner is concerned about the impact of these rate increases on District residents.


In addition, because the rate filings of motor vehicle and homeowner insurers operate under a file and use standard in the District, insurers currently can implement the rate increases immediately upon filing the rates with the Commissioner. The Commissioner is concerned that the large premium increases could cause policyholders to miss payments due to their inability to afford the increased rates while at the same time lacking sufficient time to shop for more affordable insurance. Such an instance could result in policies lapsing due to non-payment and an increase in uninsured motorists. By enacting the legislation and changing the rate filing standard for motor vehicle and homeowner insurer rate filings from file and use to prior approval with a 90 day deemer, the Department will have time to review the filings to ensure that the rate increases are neither excessive nor discriminatory before the new rates become effective. Moreover, the legislation will require motor vehicle and homeowner insurers to provide policyholders 60 days advance written notice for any rate increase of 10% or more.

Accordingly, I urge the Council to take prompt and favorable action on the enclosed legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Muriel Bowser".

Muriel Bowser


Chairman Phil Mendelson
at the request of the Mayor

A BILL

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

To amend An Act to provide for regulation of certain insurance rates in the District of Columbia, and for other purposes, to change the motor vehicle and homeowner insurance rate filing standard from file and use to prior approval with a 90-day deemer, to require notice and opportunity for a hearing before a rate filing is determined to be excessive or unfairly discriminatory; and to require insurers to provide policyholders 60 day advance written notice of any rate increase of 10% or more.

BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, that this Act may be cited as the "Motor Vehicle and Homeowner Insurance Prior Approval Rate Filing Amendment Act of 2023".

Sec. 2. An Act To provide for regulation of certain insurance rates in the District of Columbia, and for other purposes, approved May 20, 1948 (62 Stat. 243; D.C. Official Code §§ 31-2701 *et seq.*), is amended follows:

(a) Section 3(f)(2) (D.C. Official Code § 31-2703(f)(2)) is amended to read as follows:

"(2)(A) Each final rate or premium charge proposed to be used by any motor vehicle or homeowner insurer shall be filed with the Commissioner and shall be adequate, not excessive, and not unfairly discriminatory. Before a motor vehicle or homeowner rate or premium charge filing shall become effective, the Commissioner shall have the authority to determine, within 90 days after the filing date, that a rate or

37 premium charge is excessive if the rate or premium charge is unreasonably high for the
38 insurance provided and is not actuarially justified based on commonly accepted actuarial
39 principles. In determining whether a rate complies with the standards set forth in the prior
40 sentence, due consideration shall be given for past and prospective loss experience within
41 and outside the District, a reasonable margin for underwriting profit and contingencies,
42 dividends, savings, or unabsorbed premium deposits allowed or returned by insurers to
43 their policyholders or members or subscribers, past and prospective expenses, both
44 nationwide and in the District, and investment income earned or realized by insurers both
45 from their unearned premiums and from their loss reserve funds.

46 “(B) If the Commissioner does not make a determination on a
47 proposed rate or premium charge within the 90-day period, the rate or premium charge
48 shall be deemed approved. If the Commissioner determines, within the 90-day period,
49 that a motor vehicle or homeowner rate or premium charge may be excessive or unfairly
50 discriminatory, the Commissioner shall provide the insurer with notice of the
51 determination and the reasons therefor and an opportunity for a hearing. A hearing must
52 be requested by the insurer within 15 days after the notice is provided to the insurer by
53 the Commissioner. A hearing shall be held by the Commissioner within 60 days after a
54 written request is timely received from the insurer and the Commissioner shall issue a
55 final order within 30 days after the close of the hearing record. The cost of the hearing
56 shall be borne by the insurer requesting the rate increase. If the Commissioner finds after
57 a hearing that a rate or premium charge is not in compliance with this paragraph, the
58 Commissioner shall order that its use be discontinued for any policy issued or renewed

59 after a date specified in the order and the order may prospectively provide for a rate
60 premium charge adjustment of any policy then in force.

61 “(C) If a final rate or premium charge to be implemented by an
62 insurer will increase the existing rate or premium charge of a policyholder by 10% or
63 more, the insurer shall provide the policyholder written notice of the percentage and
64 amount of such increase as it pertains to the individual policyholder at least 60 days, and
65 not more than 90 days, before the increase will be applied to the policyholder’s insurance
66 policy. If the insurer is unable to provide written notice at least 60 days before the end of
67 the current term of the policyholder’s policy, then the insurer must wait until the end of
68 the subsequent term of the policyholder’s policy to implement the rate or premium
69 increase.”.

70 (b) Section 4(c)(2)(A)(ii) (D.C. Official Code § 31-2704(c)(2)(A)(ii)) is amended
71 to read as follows:

72 “(ii) The order is made after the prescribed investigation
73 and hearing and within 30 days after the filing of rates affected, except as otherwise
74 permitted by § 3(f)(2) of the act.”

75 Sec. 3. Fiscal impact statement.

76 The Council adopts the fiscal impact statement of the Chief Financial Officer as
77 the fiscal impact statement required by section 4a of the General Legislative Procedures
78 Act of 1975, approved October 16, 2006 (120 Stat. 2038; D.C. Official Code § 1-
79 301.47a).

80 Sec. 4. Effective date.

81 This act shall take effect following approval by the Mayor (or in the event of veto
82 by the Mayor, action by the Council to override the veto), and a 30-day period of
83 Congressional review as provided in section 602(c)(1) of the District of Columbia Home
84 Rule Act, approved December 24, 1973 (87 Stat. 813; D.C. Code § 1-206(c)(1)), and
85 publication in the District of Columbia Register.

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Attorney General



Legal Counsel Division

MEMORANDUM

TO: Beverly L. Perry
Senior Advisor
Office of the Senior Advisor

FROM: Megan D. Browder
Deputy Attorney General
Legal Counsel Division

DATE: November 8, 2022

RE: Legal Sufficiency Certification of Draft Legislation, the "Motor Vehicle and Homeowner Insurance Prior Approval Filing Amendment Act of 2022," Emergency Version and Resolution, and Transmittal Letter
(AE-22-166)

This is to Certify that this Office has reviewed the above-referenced draft legislation and found it to be legally sufficient. If you have any questions, please do not hesitate to call me at (202) 724-5524.

A handwritten signature in black ink that reads "Megan D. Browder". The signature is stylized with a large, looped "M" and a cursive "Browder".

Megan D. Browder

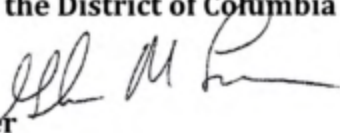
Government of the District of Columbia
Office of the Chief Financial Officer



Glen Lee
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Glen Lee 
Chief Financial Officer

DATE: November 7, 2022

SUBJECT: Fiscal Impact Statement – Motor Vehicle and Homeowner Insurance
Prior Approval Rate Filing Emergency Amendment Act of 2022

REFERENCE: Draft Bill as provided to the Office of Revenue Analysis on October 27,
2022

Conclusion

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill.

Background

The Department of Insurance, Securities and Banking (DISB) approves rate adjustments from insurers to ensure they are adequate, not excessive, and not unfairly discriminatory.¹ For motor vehicle insurance, DISB allows an insurer to file their new rates and then begin charging those rates prior to DISB approval.

The bill changes the standard and applies it to homeowner insurers as well. Both motor vehicle and homeowner insurance companies will need to file new rates and wait up to 60 days for DISB to approve or deny the rates. If DISB does not decide on the rates within that time, then the rates are deemed to be approved. An insurer can appeal a DISB decision that rates are excessive or discriminatory within 60 days of the decision.

¹ An Act to provide for regulation of certain insurance rates in the District of Columbia, and for other purposes, approved May 20, 1968 (62 Stat. 242; D.C. Official Code § 31-2703(f)(2)).

The Honorable Phil Mendelson

FIS: "Motor Vehicle and Homeowner Insurance Prior Approval Rate Filing Emergency Amendment Act of 2022," Draft Bill as provided to the Office of Revenue Analysis on October 27, 2022

Financial Plan Impact

Funds are sufficient in the fiscal year 2023 through fiscal year 2026 budget and financial plan to implement the bill. DISB currently holds hearings for adverse rulings and can absorb any costs associated with holding these hearings prior to authorizing an insurer to impose new rates.